

FISCAL NOTE

Bill #: SB0518

Title: Business Consumption Tax Act

Primary

Sponsor: Mack Cole

Status: As introduced

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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Fiscal Summary

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
Expenditures:		
General Fund	\$3,128,595	\$5,062,998
Revenue:		
General Fund	\$38,727,173	\$484,310,985
Net Impact on General Fund Balance:	\$35,598,578	\$479,247,987

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

Department of Revenue

Business Consumption Tax Revenue

1. The business consumption tax provided for in this bill applies to transactions occurring after May 30, 2000. Tax payments are remitted on a monthly basis for registered persons with aggregate taxable transactions greater than \$30,000 a month and quarterly for persons with taxable transactions less than \$30,000 a month. One month's worth of business consumption tax revenue will be accrued at the end of FY2000, so one month's worth of revenue will be recorded as FY2000 revenue.
2. Annualized total business consumption tax liability before bad debts, uncollectibles, and noncompliance is \$498,000,000 in calendar year 2000 and \$518,100,000 in calendar year 2001.
3. Bad debts, uncollectibles, and noncompliance reduce collections by 5% per year.
4. Business consumption taxes paid to the state are accrued at the end of each fiscal year.
5. Business consumption tax revenue is distributed to the state general fund.

(continued)

6. The above assumptions result in estimated business consumption tax revenues (net of noncompliance) of \$38,727,173 for FY2000 and \$484,310,985 for FY2001.

Expenditures

7. The number of business consumption tax filers is estimated to be 130,000.
8. The cost of developing a computer system to support the administration of this tax is estimated to be in the range of \$5 million. This amount is assumed to be bonded, as was approved last session in HB 188. Therefore, debt service @ 4.25% for 10 years on an estimated \$5 million system is included in the operating expenses shown below. This assumes that the bonds would be issued in FY2000, and the first bond payment scheduled for FY2001.
9. The total ongoing additional FTE requirement is estimated to be 65, with 33 starting in FY2000 and an additional 32 starting in FY2001.

Secretary of State

10. There is no statewide general election on November 2, 1999. Therefore, this will be a special statewide election. Some counties and municipalities will already be scheduled to hold elections on November 2, 1999, but not all precincts.
11. When considering the costs of an electorate vote, any costs greater than \$194,203 which are distributed to the counties must be funded by the legislature(1-2-112, MCA).
12. For FY2001, a statewide election would have a base cost of \$690,000 to the counties.
13. The Secretary of State would require an additional grade 12 FTE to assimilate and compile the Voter Information Pamphlet (VIP) and participate in other election related tasks.
14. 525,000 VIPs will be prepared and mailed. The cost of the VIP would be \$78,964 (18 pages x .008356 x 525,000) for the counties and \$22,302 (18 pages x .00236 x 525,000) for the Secretary of State.

FISCAL IMPACT:

Department of Revenue

	FY2000 <u>Difference</u>	FY2001 <u>Difference</u>
FTE	33.00	65.00

Expenditures:

Personal Services	\$1,037,119	\$1,568,858
Operating Expenses	1,322,512	3,474,640
Equipment	<u>0</u>	<u>19,500</u>
TOTAL	\$2,359,631	\$5,062,998

Funding:

General Fund (01)	\$2,359,631	\$5,062,998
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Revenues:

General Fund (01) (Business Cons. Tax)	\$38,727,173	\$484,310,985
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Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	\$36,367,542	\$479,247,987
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Secretary of State

	FY2000	FY2001
	<u>Difference</u>	<u>Difference</u>
FTE	1.00	0.00

Expenditures:

Personal Services	\$29,847	\$0
Operating Expenses	27,302	0
Transfers	<u>768,964</u>	<u>0</u>
TOTAL	\$826,113	\$0

Funding:

General Fund (01)	\$768,964	\$0
Secretary of State Proprietary (06)	57,149	0

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The Secretary of State will transfer general fund dollars to the counties to cover their election expenses.

LONG-RANGE IMPACTS:

The long range impact is that the state will have a business consumption tax that will provide a substantial amount of state revenue.

TECHNICAL NOTES:

1. The tax processing system that the Department of Revenue would propose to develop would integrate this new sales tax into the POINTS system. The best estimate of costs to do so is \$5 million, which could potentially be included in the Department of Revenue IT Bonding request (HB15). Funding these type of expenditures over the course of 10 years operates to mitigate the up-front implementation costs, but does increase the overall expenditure by the interest payments on the debt. For purposes of this estimate, interest rates on a ten year bond were estimated to be 4.25%.